

Message Text

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SUBJEC: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

FOLLOWING ARE POST'S COMMENTS ON YAR INVESTMENT
CLIMATE (A) AND SUMMARY OF INVESTMENT STATISTICS (B).

A. INVESTMENT CLIMATE -- YEMEN ARAB REPUBLIC, 1975.

1. THE YEMEN ARAB REPUBLIC IS CLASSIFIED BY THE
UN AS ONE OF THE WORLD'S LEAST ECONOMICALLY DEVELOPED
COUNTRIES, AND WELCOMES USEFUL FOREIGN PARTICIPATION
IN ITS DEVELOPMENT. THE PRIVATE SECTOR IS BEING
ACTIVELY ENCOURAGED BY THE YEMEN GOVERNMENT AS AN IMPORTANT
PART OF THE ON-GOING NATIONAL DEVELOPMENT PLAN.
THE GOAL IS IMPORT SUBSTITUTION IN A WIDE VARIETY OF
SMALL, MANUFACTURED, AND AGRICULTURAL GOODS. THE
GOVERNMENT VIEWS SUCH INVESTMENT AS A SOURCE OF CRITICAU
TRAINING FOR THE UNSKILLED BUT HARDWORKING LABOR SUPPLY
FOREIGN PERSONNEL. ADDITIONAL, A PROJECT MUST
INVEST ATMPEAST US\$100,000 (US\$250,000 FOR
TOURISM PROJECTS) TO QUALIFY FOR THE CONCESSIONS
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PROVIDED BY LAW 13.

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4. CONCESSIONS UNDER LAW 13 TAKE TWO FORMS. FIRSTLY, ALL MACHINERY, EQUIPMENT, AND SPARE PARTS IMPORTED FOR A PROJECT ARE EXEMPTED FROM ALL CUSTOMS DUTIES FOR A PERIOD OF FIVE YEARS. SECONDLY, THE INVESTMENT ITSELF IS EXEMPTED FROM ALL COMMERCIAL AND INDUSTRIAL TAXES FOR FIVE YEARS, WITH A 50 PERCENT REDUCTION FOR UP TO FIVE MORE YEARS IF THE EMPLOYED CAPITAL EXCEEDS TWO MILLION RIALS (US\$440,000). PROFITS MAY BE TRANSFERRED ABROAD AND FOREIGN CAPITAL MAY BE REPATRIATED IN PROPORTION TO THE ORIGINAL INVESTMENT IF A PROJECT IS LIQUIDATED. IN CASE OF GOVERNMENT ACQUISITION, THE YAR WILL PAY COMPENSATION AND PERMIT ITS TRANSFER ABROAD. THE MINISTER OF ECONOMY HAS THE AUTHORITY UNDER THE LAW TO RECOMMEND THE TOTAL OR PARTIAL PROHIBITION OR RESTRICTION OF IMPORTS IF NECESSARY TO PROTECT THE PRODUCTS OF A PARTICULAR INVESTMENT PROJECT. WHILE THE YEMENI GOVERNMENT WOULD ALSO WELCOME FOREIGN INVESTMENTS IN HEAVIER INDUSTRIES, INVESTMENTS TO DATE IN SUCH BUSINESS AS TEXTILE AND CEMENT MANUFACTURE HAVE BEEN MADE THROUGH GOVERNMENT CHANNELS WITH THE ASSISTANCE OF FOREIGN DONORS.

2. THE LIMITS ON FOREIGN INVESTMENT IN YEMEN ARE NOT IN GOVERNMENT ATTITUDES OR PRACTICES SO MUCH AS IN THE PAUCITY OF INVESTMENT OPPORTUNITIES, UNDEVELOPED INTERNAL AND EXTERNAL MARKETS AND UNSKILLED LABOR AND MANAGEMENT.

3. THE CURRENT LAW REGULATING FOREIGN INVESTMENT IS A LIBERAL PROVISION, DESIGNATED LAW 13 OF NOV 19, 1970, WHICH WAS SPECIFICALLY DESIGNED TO FACILITATE AND PROMOTE BOTH FOREIGN AND DOMESTIC INVESTN⁵. THE FULL BENEFITS OF LAW 13 ARE AVAILABLE TO ANY APPROVED PROJECT, A PROJECT BEING DEFINED AS "...ANY ESTABLISHMENT FORMED BY NATIONAL OR FOREIGN CAPITAL OR BOTH". ALL FOREIGN AND DOMESTIC INVESTMENT PROJECTS MUST STRIVE TO GEMPLOY AS MANY YEMENIS AS POSSIBLE AND TO TRAIN THEM SO THEY CAN GRADUALLY REPLACE EXPATRIATE TECHNICAL AND ADMINISTRATIVE PERSONNEL. THE LAW DOES NOT STIPULATE DEFINITE PROPORTIONS FOR YEMEN AND PRIVATE SECTOR HAS INCREASED PERCEPTIBLY. A UNCLASSIFIED

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LEADING AMERICAN BANK HAS RECENTLY OPENED A BRANCH IN SANA, WHILE THE PRIVATELY OWNED KUWAIT REAL ESTATE INVESTMENT CORPORATION SIGNED AN AGREEMENT IN JUNE 1975 WHICH MAY LEAD TO AN EVENTUAL INVESTMENT WORTH OVER US\$50 MILLION.

B. INVESTMENT STATISTICS (AS OF 6/30/75)

1. US DIRECT INVESTMENT: NONE

2. DIRECT INVESTMENT BY ALL COUNTRIES: NOT AVAILABLE

3. YEMENI INVESTMENT IN US: NONE.

SCOTES

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